

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PENSION SCHEME 2007 FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of University of Nairobi Pension Scheme 2007 set out on pages 8 to 26, which comprise the statement of net assets available for benefits as at 30 June 2018, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Retirement Benefits (Occupational Retirement Benefits Schemes) Regulation 2000, as stipulated in the Retirement Benefits Act, 1997. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of University of Nairobi Pension Scheme 2007 as at 30 June 2018, and of its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Retirement Benefits Act, 1997.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of University of Nairobi Pension Scheme 2007 in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 12 of the financial statements which reflects outstanding contributions amounting to Kshs.1,521,766,000 as at 30 June 2018 some of which date back to November 2016. As at 25 September 2018, the outstanding contributions from the University of Nairobi stood at Kshs.1,509,660,941. Non-remittance of the contributions is contrary to Rule 2 (b) of the Trust Deed and Rules which states that all contributions in respect of any member shall be paid to the Trustees before the tenth day of every subsequent calendar month. Any contributions not remitted within the stipulated period shall attract interest at a rate determined by the Trustees on the advice of Actuary or the Fund Manager and shall be payable by the Sponsor on demand by the Trustees or otherwise recoverable summarily as a civil debt owed by the Sponsor to the Scheme. The scheme management has explained that this matter has been communicated to RBA to give the trustees more time as the University management consults with the Ministry. This will enable the sponsor to prepare a remedial plan that will be agreeable to the

Board of Trustees as it will incorporate all the issues the trustees have raised. The Trustees are confident that once the Council is constituted an agreeable remedial plan will be put in place and interest will then be factored into the financial statements appropriately.

Key Audit Matters

Key audit matters are those in my professional judgment, were of most significance in the audit of the financial statements of the year under review. There were no audit matters to report in the year under review.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Scheme's ability in continuing to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue as a going concern or to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Scheme activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 September 2018